

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05 L-03
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E.O. 11652: N/A
TAGS: ENRG, ECRP, EALR, RP
SUBJECT: PHILIPPINE-PRC EVERGREEN CONTRACT FOR CRUDE OIL
- SUPPLY

REF: (A) MANILA 6391, (B) MANILA 9959

1. SUMMARY: PHILIPPINES AND PRC SIGNED JULY 27 LONG-TERM "EVERGREEN" CONTRACT FOR SUPPLY OF SHENGLI CRUDE. AGREEMENT, SIGNED BY PHILIPPINE MINISTER OF ENERGY GERONIMO VELASCO AND GENERAL MANAGER OF CHINA NATIONAL CHEMICALS IMPORT AND EXPORT CORP., CHAO MAO-CHUN, PROVIDES MINIMUM SUPPLY OF 6 MILLION TONS OVER FIVE YEAR PERIOD AT "FRIENDSHIP PRICE". END SUMMARY.

2. DISCUSSIONS BETWEEN GOP AND PRC OFFICIALS ON PHILIPPINE-PROPOSED EVERGREEN CONTRACT FOR PRC CRUDE OIL SUPPLY, REPORTED IN REFTEL A, CAME TO FRUITION JULY 27 WHEN AGREEMENT WAS SIGNED IN PEKING BY PHILIPPINE MINISTER OF ENERGY GERONIMO VELASCO AND CHAO MAO-CHUN, GENERAL MANAGER OF CHINA NATIONAL CHEMICALS IMPORT AND EXPORT CORP.

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3. AGREEMENT PROVIDES FOR MINIMUM SUPPLY OF SIX MILLION TONS OVER FIVE YEAR PERIOD FROM 1979 TO 1983, BEGINNING WITH SUPPLY OF ABOUT ONE MILLION TONS NEXT YEAR WITH GRADUAL ACCELERATION IN FOLLOWING YEARS. EXACT VOLUME OF IMPORTS WILL BE NEGOTIATED ON ANNUAL BASIS. CRUDE WILL STILL BE SOLD AT "FRIENDSHIP PRICE" WHICH WILL ALSO BE NEGOTIATED ANNUALLY.

4. EVERGREEN CONTRACT WELCOMED BY GOP OFFICIALS AS INSTRUMENT TO STABILIZE OIL SUPPLY AT FAVORABLE PRICE, ALSO ENABLING GOVERNMENT TO MAKE IMPORTANT INVESTMENT DECISION ON INSTALLATION OF SPECIAL REFINERY AND STORAGE FACILITIES FOR THE HEAVY SHENGLI CRUDE.
5. THE AGREEMENT'S AVERAGE ANNUAL IMPORT LEVEL OF 1.2 MILLION TONS OVER FIVE YEARS CONSTITUTES ABOUT 11 PER CENT OF PHILIPPINE OIL CONSUMPTION IN 1977, AND REPRESENTS ABOUT SAME VOLUME OF CRUDE EXPECTED TO BE PRODUCED IN PALAWAN AREA BEGINNING IN EARLY 1979 (REFTEL B). IT MARKS ONLY A SMALL INCREASE IN THE ONE MILLION TONS OF CRUDE TO BE IMPORTED FROM PRC THIS YEAR. MURPHY

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